

June 11, 1999

TO: Senator Sid Snyder, Chair
Senator Dan McDonald
Representative Hans Dunshee
Representative Brian Thomas
Fred Kiga, Director, DOR
Dick Thompson, Director OFM

FROM: Chang Mook Sohn, Executive Director
Office of the Forecast Council

SUBJECT: JUNE 10, 1999 REVENUE COLLECTION REPORT

General Fund-State collections were \$14.5 million below the forecast in the May 11- June 10 collection period. Slower than expected Revenue Act (retail sales, B&O, use and public utility taxes) growth, along with weaker than expected estate and PUD excise tax payments accounted for most of the shortfall. Higher than expected real estate excise tax and property tax payments helped mitigate the Revenue Act, estate and PUD excise tax weakness. Despite this month's shortfall, the cumulative variance for the three months since the March forecast is a positive \$24.3 million. A portion of the \$24.3 million cumulative variance is due to the combined impact of an unusually large audit payment and several very large refunds reported last month. Excluding these transactions, the variance primarily due to economic factors is \$10 million. The economy remains healthy. The national economy is growing faster than assumed in March and is expected to continue to expand. Most key state economic indicators are also higher than expected in March including personal income, employment and building permits. Although the economy will eventually slow due to rising interest rates and slower employment growth, economic and revenue growth will likely be stronger than expected for longer than expected in March.

Revenue Act collections were \$9.2 million below the estimate in the May 11-June 10 collection period, primarily reflecting April 1999 business activity. Revenue Act receipts this month were 4.0 percent above the year-ago level (adjusting for legislation and special factors). This is less than half the increase last month and was the weakest increase since June of 1998. This month's deceleration is likely a reaction to last month's very strong 9.2 percent increase. The combined growth rate for the last two months is a very strong 6.9 percent. Growth for the first four months of the year has been nearly that strong, averaging 6.7 percent, about in line with the June personal income estimate for the first half of the year (an increase from what we had been assuming in March).

This month's weakness aside, the revenue outlook remains good. The national economy, especially consumer spending, continues to grow faster than assumed in March and the state's economy is also stronger. Monthly volatility aside, revenue growth is stronger than we had been expecting in March. Although slowing is still expected, it is likely to be later in the year.

Preliminary data on tax payments in the current month indicate overall moderately strong growth, in the upper single digit range. Strong growth in retailing, construction and the manufacturing sector, offset weaker increases in services, wholesale trade and the finance, insurance and real estate sector. Within retailing, auto dealers and furniture and equipment stores reported strong double-digit increases in tax payments.

Other General Fund taxes collected by the Department of Revenue were \$3.8 million below the estimate for the month. The majority of this month's shortfall is due to weaker than expected estate and PUD excise tax payments (included in the "other" category in Table 1). Offsetting part of this shortfall were stronger than expected real estate excise tax and property tax payments. Cumulatively, for the three months since the March forecast non-revenue act receipts in the aggregate are very close to the estimate, exceeding the estimate by only \$563,000. Within the group, there are several sources significantly higher than expected: property tax (state levy) and real estate excise tax; and some significantly less than expected: estate and PUD excise tax. Most of the strength in property tax collections is believed to be due to timing which means that some of the higher than expected receipts will likely be offset by lower collections over the next few months. This is also true of the PUD excise tax, that is, some of the current shortfall is likely to be recouped next month.

Real estate activity continues to be strong, although some slowing is evident. Growth for the first four months of the year was 7 percent statewide. Activity in the most recent month, April --reflecting receipts to the state in May, was a little slower, 5.8 percent. April's increase reflects higher prices; the number of transactions actually declined 2.7 percent while the average value per transaction increased 8.6 percent.

Other agencies' collections were \$1.6 million below the forecast in April. Department of Licensing's General Fund collections were \$305,000 less than the estimate for the month but are \$975,000 above the forecast for the last three months. Lottery General Fund transfers were \$1.3 million below the estimate in April and are \$5.1 million less than expected in the last three months. Very strong June sales are needed for the lottery to meet their estimate for the fiscal year. The attached Table 1 provides a comparison of collections with the February forecast for the May 11 - June 10, 1999 collection period and cumulatively since the March 1999 forecast. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

CMS:cg

Attachments

TABLE 1
Revenue Collection Report
June 10, 1999 Collection Report - Based on the March 1999 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference</u>	
			<u>Amount</u>	<u>Percent</u>
May 11 - June 10, 1999				
Department of Revenue-Total	\$920,975	\$907,995	(\$12,980)	-1.4%
Revenue Act** (1)	559,653	550,455	(9,198)	-1.6%
Non-Revenue Act(2)	361,322	357,540	(3,782)	-1.0%
Liquor Sales/Liter	5,949	6,343	394	6.6%
Cigarette	4,999	4,962	(37)	-0.7%
Property (State School Levy)	284,079	295,129	11,049	3.9%
Estate	8,188	4,225	(3,963)	-48.4%
Real Estate Excise	31,332	32,897	1,565	5.0%
Timber (state share)	4,982	4,638	(344)	-6.9%
Other	21,793	9,346	(12,446)	-57.1%
Department of Licensing (2)	13,765	13,460	(305)	-2.2%
Lottery (2)	10,873	9,619	(1,254)	-11.5%
Total General Fund-State***	\$945,613	\$931,074	(\$14,539)	-1.5%
Cumulative Variance Since the March Forecast (March 11 - June 10, 1999)³				
Department of Revenue-Total	\$2,270,713	2,299,110	28,396	1.3%
Revenue Act** (3)	1,756,451	1,784,284	27,833	1.6%
Non-Revenue Act(4)	514,263	514,826	563	0.1%
Liquor Sales/Liter	17,069	18,082	1,013	5.9%
Cigarette	14,962	16,520	1,558	10.4%
Property (State School Levy)	337,004	345,415	8,412	2.5%
Estate	22,460	15,012	(7,448)	-33.2%
Real Estate Excise	85,105	92,893	7,787	9.2%
Timber (state share)	4,982	4,638	(344)	-6.9%
Other	32,681	22,265	(10,416)	-31.9%
Department of Licensing (4)	38,241	39,216	975	2.5%
Lottery (4)	32,618	27,561	(5,057)	-15.5%
Total General Fund-State***	\$2,341,572	\$2,365,887	\$24,315	1.0%

1 Collections May 11 - June 10, 1999. Collections primarily reflect April 1999 activity of monthly taxpayers.

2 May 1-31, 1999 collections.

3 Cumulative collections, estimates and variance since the March forecast; (March 11 - June 10, 1999) and revisions to history.

4 Cumulative collections, estimates and variance since the March forecast; (March - May 1999 and revisions to history.)

* Based on the March 1999 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue, the Department of Licensing and the Lottery Commission, about 97% of total General Fund-State.

TABLE 2
May 10, 1999 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
April 11 - May 10, 1999				
Department of Revenue-Total	\$830,994	\$830,994	(\$0)	-0.0%
Revenue Act (1)	731,249	731,249	0	0.0%
Non-Revenue Act(2)	99,745	99,745	(0)	-0.0%
Liquor Sales/Liter	6,225	6,225	0	0.0%
Cigarette	5,448	5,448	0	0.0%
Property (State School Levy)	39,800	39,800	(0)	-0.0%
Estate	4,473	4,473	(0)	-0.0%
Real Estate Excise	34,418	34,418	0	0.0%
Timber (state share)	0	0	0	NA
Other	9,380	9,380	(0)	-0.0%
Department of Licensing (2)	13,779	13,779	(0)	-0.0%
Lottery (2)	9,584	9,584	(0)	-0.0%
Total General Fund-State***	\$854,356	\$854,356	\$0	0.0%

Cumulative Variance: March 11 - May 10, 1999 & Revisions to History

Department of Revenue-Total	1,391,115	\$1,391,115	(\$0)	-0.0%
Revenue Act (3)	1,233,829	1,233,829	(0)	-0.0%
Non-Revenue Act(4)	157,286	157,286	(0)	-0.0%
Liquor Sales/Liter	11,739	11,739	(0)	-0.0%
Cigarette	11,558	11,558	0	0.0%
Property (State School Levy)	50,287	50,287	(0)	-0.0%
Estate	10,787	10,787	0	0.0%
Real Estate Excise	59,996	59,996	(0)	-0.0%
Timber (state share)	0	0	0	NA
Other	12,919	12,919	(0)	-0.0%
Department of Licensing (4)	25,756	25,756	(0)	-0.0%
Lottery (4)	17,943	17,943	(0)	-0.0%
Total General Fund-State***	\$1,434,813	\$1,434,813	(\$0)	-0.0%

P-Preliminary. Reported in the May 10, 1999 collection report.

R Revised data.

1 Collections April 11 -May 10, 1999. Collections primarily reflect March 1999 business activity of monthly taxpayers and January-March activity of quarterly filers.

2 April 1-30, 1999 collections.

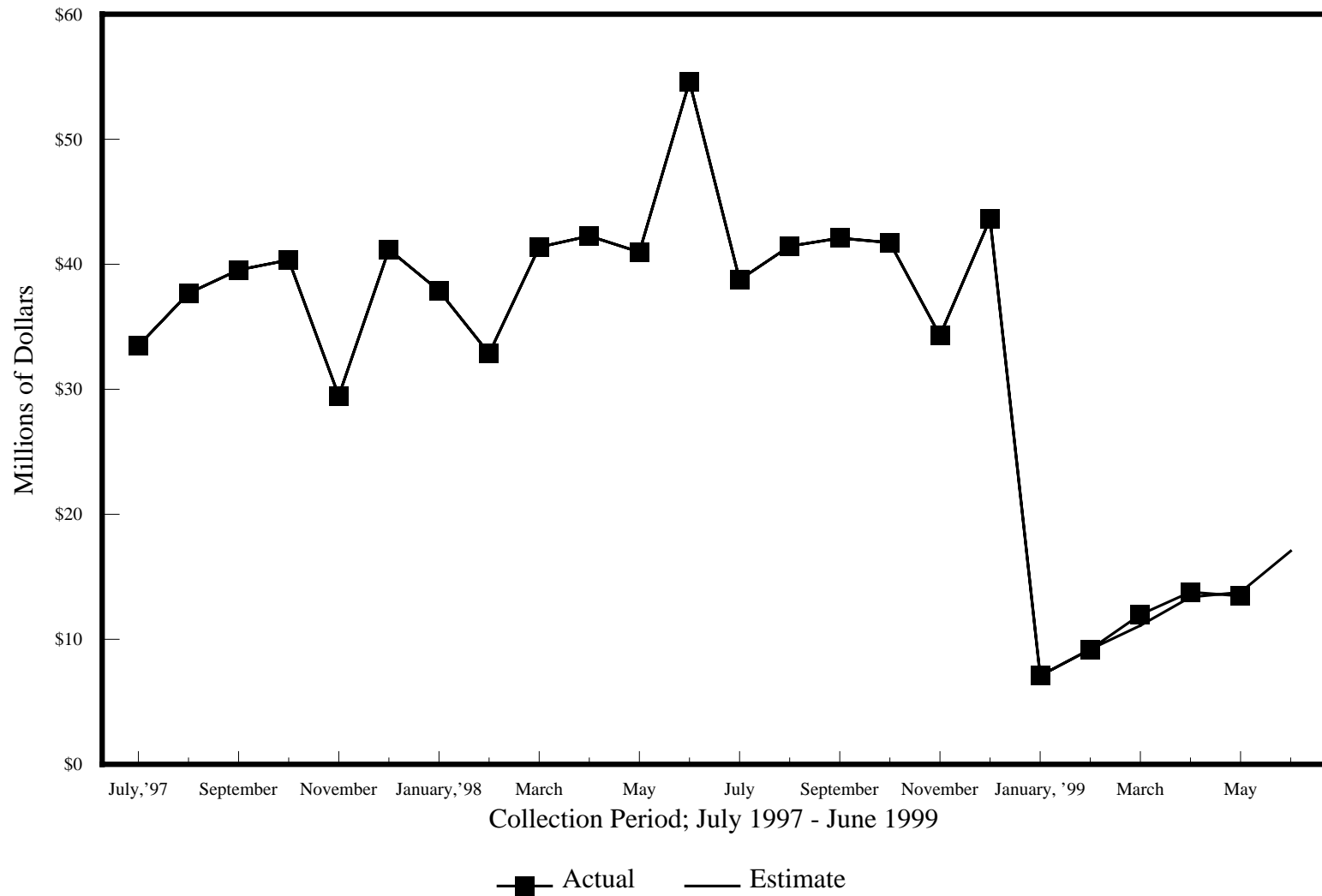
3 Cumulative variance for since the March forecast: March 11 - May 10, 1999, & revisions to history.

4 Cumulative variance: since the March forecast (March 1999 & April) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

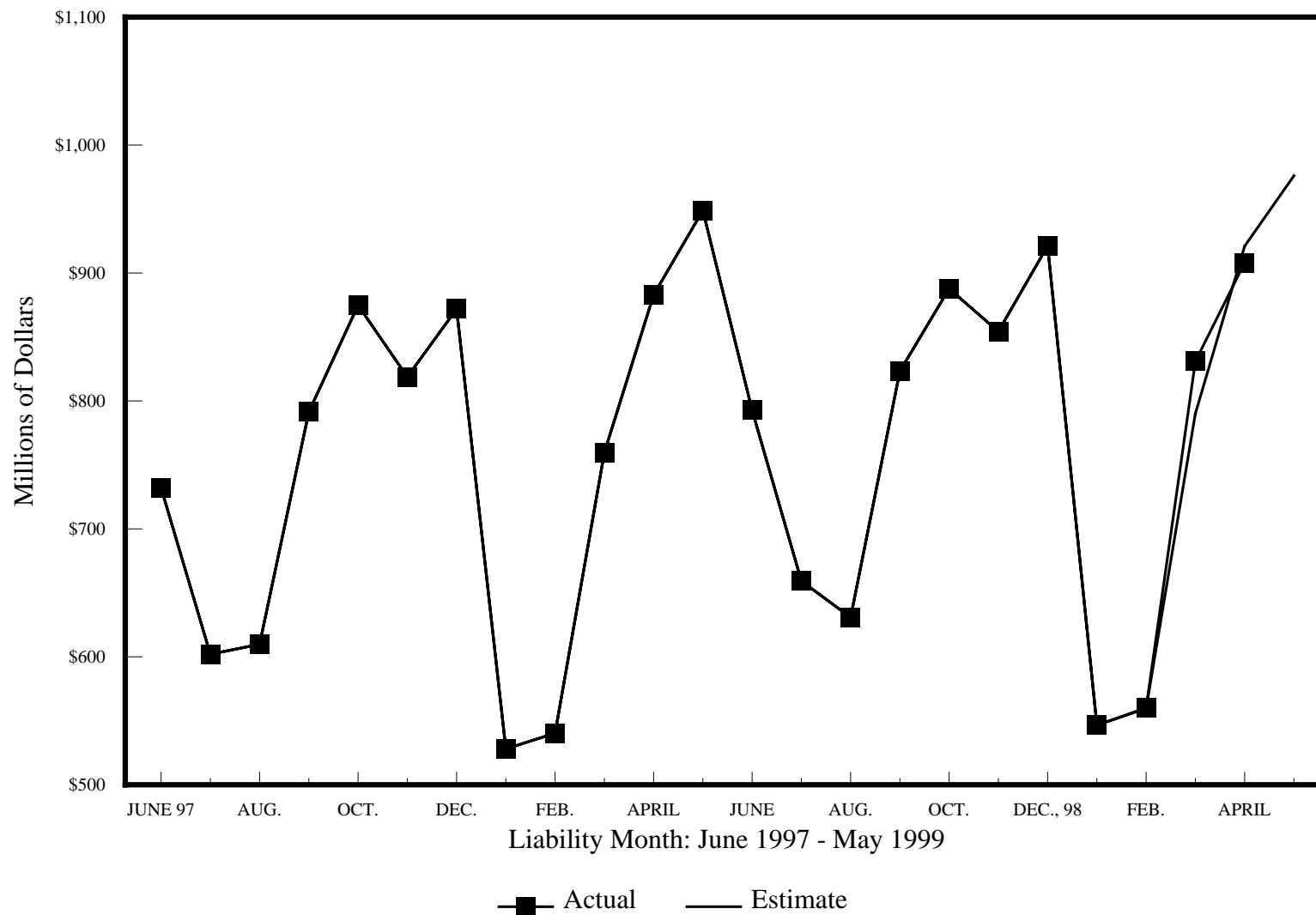
Dept. of Licensing: General Fund - Actual Vs. Estimate

1997-99 Biennium - March 1999 Forecast



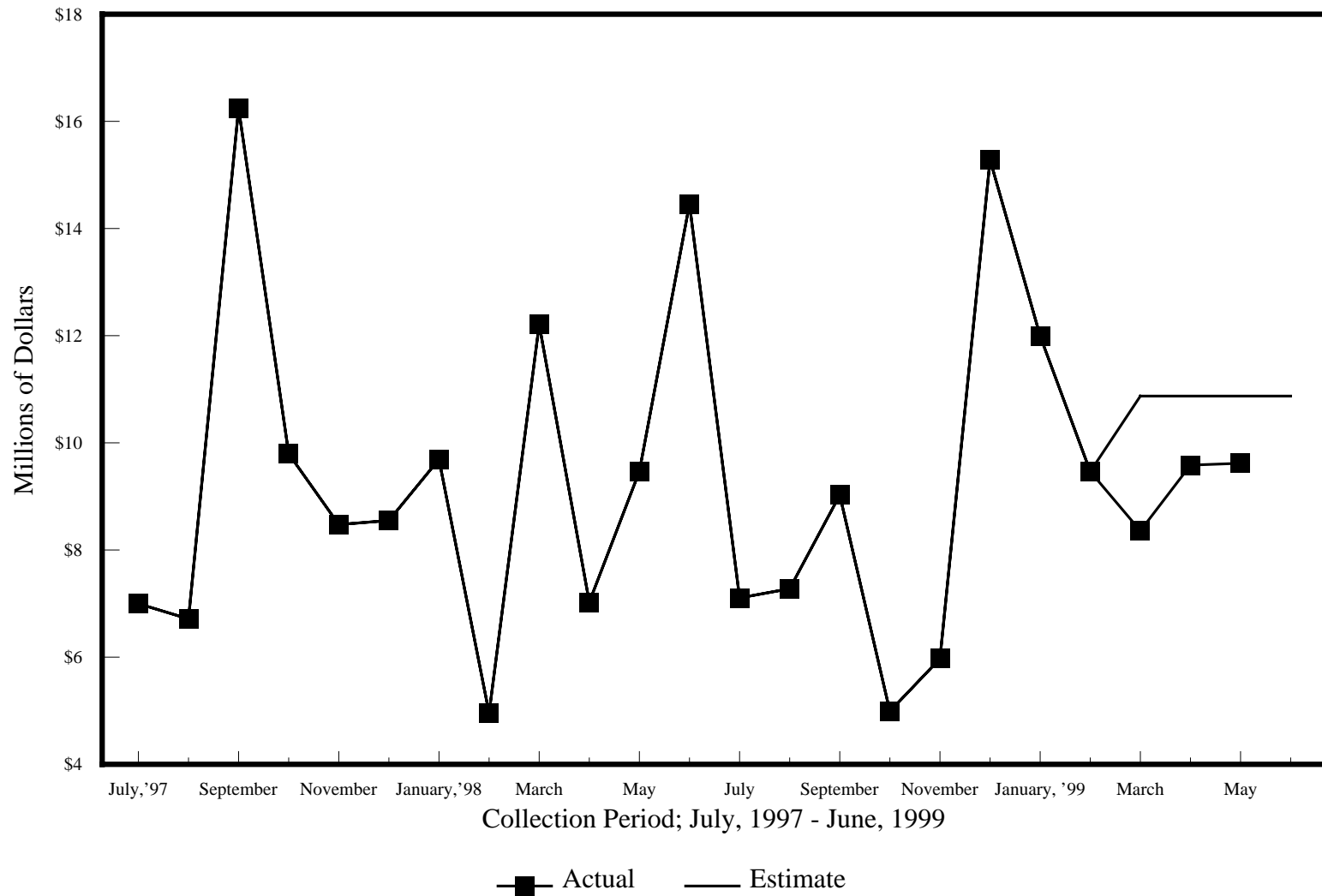
Department of Revenue - General Fund: Actual Vs. Estimate

1997-99 Biennium - March 1999 Forecast



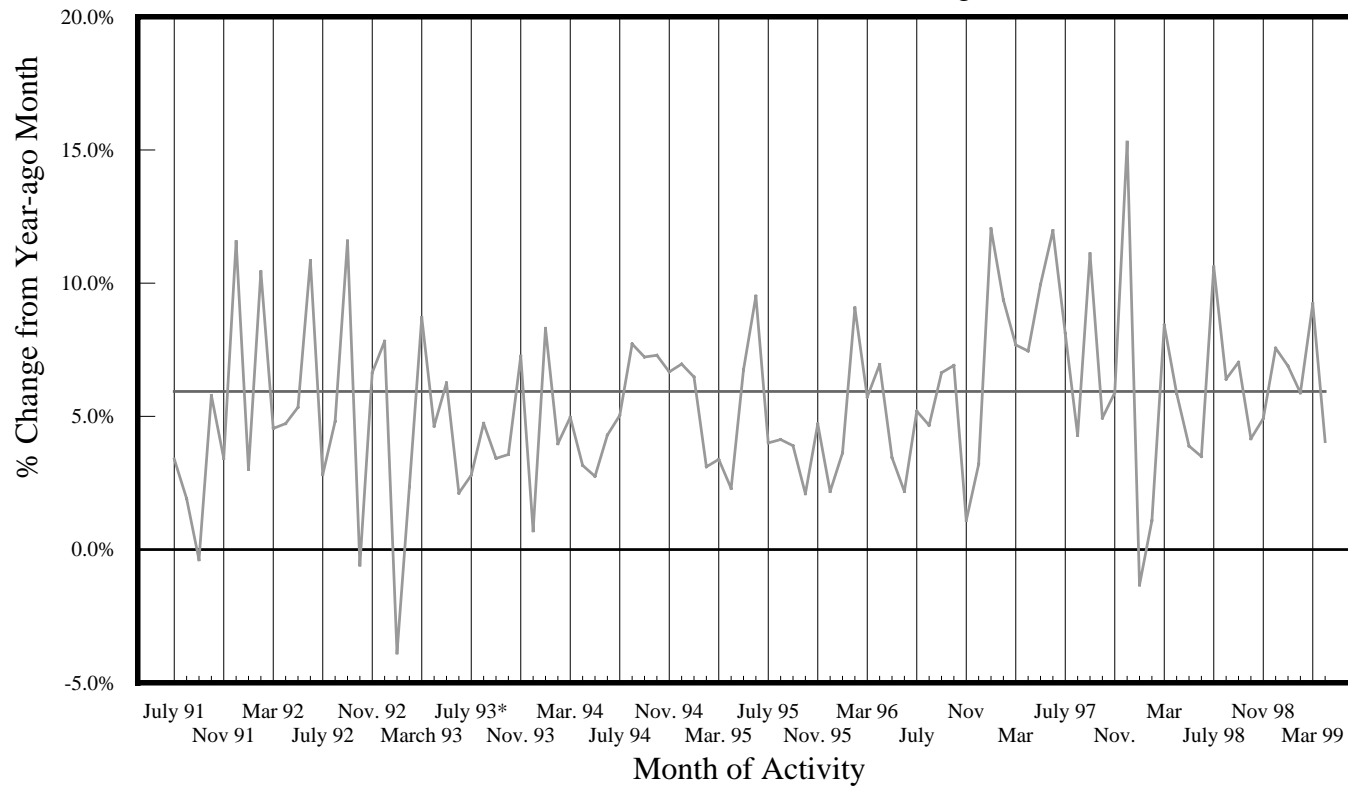
Lottery General Fund Transfers: Actual Vs. Estimate

1997-99 Biennium - March 1999 Forecast



Revenue Act Net Collections

Year over Year Percent Change



—— Ave. Growth fys 95-98: 5.9% (Adj.for Legislation)

—— % Change from year-ago, adjusted for large audits & legislation, etc.